

Message Text

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ACTION SS-25

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FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC IMMEDIATE 4557

C O N F I D E N T I A L SECTION 1 OF 2 GEORGETOWN 0857

EXDIS

C O R R E C T E D C O P Y - STADIS CAPTION DELETED

E.O. 11652: GDS

TAGS: PINT, PFOR, GY

SUBJECT: EMBASSY COMMENTS CONCERNING GUYANESE ASSISTANCE REQUEST

REF: (A) GEORGETOWN 0722, (B) GEORGETOWN 0828,
(C) GEORGETOWN 0829

1. THIS MESSAGE IS A FOLLOW-UP TO REF C AND PROVIDES OUR THOUGHTS CONCERNING SOME OF THE IMPLICATIONS, PROBLEMS AND OPPORTUNITIES POSED BY GUYANA'S REQUEST FOR US FINANCIAL ASSISTANCE. WE HOPE IT WILL STIMULATE SOME FEED-BACK FROM THE DEPARTMENT CONCERNING OUR REPORTING ON THE ECONOMY, QUESTION CONCERNING MATTERS WE MAY NOT HAVE COVERED, AND SOME GUIDANCE.

2. WE BELIEVE THAT OUR REPORTING DURING THE PAST FOUR MONTHS HAS PROVIDED A FAIRLY ACCURATE PICTURE OF GUYANA'S FOREIGN RESERVE SITUATION AND THE STATE OF THE ECONOMY. BUT WE HAVE HAD NO PREVIOUS EXPERIENCE IN PROJECTING THE DYNAMICS OF SUCH SITUATIONS INTO THE FUTURE. FOR THIS REASON, WE WOULD APPRECIATE SOME COMMENTARY FROM DEPARTMENT ECONOMISTS WHO HAVE HAD PREVIOUS EXPERIENCE WITH DETERIORATION IN LDC ECONOMIES.

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3. UNCERTAINTY ABOUT THE IMPLICATIONS OF ECONOMIC STATISTICS HAS ALSO POSED DIFFICULTIES IN ASSESSING THE IMPACT OF THE EVOLVING ECONOMIC CRISIS ON GUYANA'S POLITICAL ENVIRONMENT SIX MONTHS OR A YEAR HENCE. A LARGE NUMBER OF DYNAMIC AND INTER-RELATED VARIABLES IMPINGE UPON THE SITUATION. AMONG THEM ARE WHETHER, HOW MUCH, FROM WHICH DONORS, UNDER WHAT POLITICAL AND

ECONOMIC STIPULATIONS THE GOG IS ABLE TO OBTAIN EXTERNAL FINANCING. ANOTHER SET OF VARIABLES INCLUDE PRIME MINISTER BURNHAM'S HEALTH, HIS ABILITY TO KEEP ON TOP OF THE SITUATION, AND THE REACTION OF THE GUYANESE PEOPLE, POLITICALLY ACTIVE GROUPS, THE OPPOSITION, AND THE ARMY AND POLICE TO THE ABSENCE OF MONEY, JOBS AND GOODS. WE HAVE WORKED ON A NUMBER OF POSSIBLE SCENARIOS INVOLVING THE ABOVE LISTED FACTORS, BUT ARE NOT DESCRIBING THEM HEREIN.

4. IN THE PARM, THE ISSUE WAS WHETHER IT WOULD BE IN THE UNITED STATES INTEREST TO PROVIDE DEVELOPMENTAL ASSISTANCE TO A SOCIALIST GUYANA. WE RECOMMENDED AN AFFIRMATIVE ANSWER. GUYANA'S REQUEST FOR EMERGENCY FINANCIAL ASSISTANCE POSES THE SAME QUESTION EXCEPT THAT BOTH THE ANTE AND THE OPPORTUNITIES FOR US LEVERAGE ON GUYANA WOULD BE INCREASED, AND THERE ARE CERTAIN OTHER COMPLEXITIES. THE QUESTION NOW BECOMES: "ARE THE POTENTIAL ADVANTAGES AND OPPORTUNITIES WORTH THE COST?"

5. THE US\$100 TO 150 MILLION SUM MENTIONED BY WILLS (REF C) IS PROBABLY THE AMOUNT THE GOG NEEDS TO MEET ALL DEBT OBLIGATIONS AND ALSO TO CARRY ON NORMAL EXPEDITURES, POSSIBLY INCLUDING CONTINUATION OF SOME DEVELOPMENTAL PROJECTS. WE HAVE PREVIOUSLY HEARD GOG OFFICIALS MENTION THE SUM OF US\$100 MILLION IN PROJECTING THE YEAR'S NEEDS, AND BELIEVE, THEREFORE, THAT THIS AMOUNT REPRESENTS THE JUDGMENT OF THE GOG'S FINANCIAL SPECIALISTS. BASED UPON OUR CURRENT INFORMATION, GUYANA APPEARS TO BE RUNNING A DEFICIT OF ABOUT G\$5 MILLION A WEEK. WE BELIEVE, HOWEVER, THAT A CONFIDENTIAL

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MUCH SMALLER AMOUNT OF ASSISTANCE THAN GUYANA HAS REQUESTED, ESPECIALLY IF COUPLED WITH DEBT RESCHEDULING, WOULD MEET MINIMUM NEEDS FOR THE YEAR. TO ASCERTAIN JUST WHAT THE AMOUNT WOULD BE, HOWEVER, WOULD REQUIRE DISCUSSION WITH THE GOG.

6. WE HAVE HEARD UNOFFICIAL REPORTS THAT THE GOG HAS DEFAULTED ON PAYMENTS TO EAST GERMANY AND NORTH KOREA. PAYMENT OF DEBTS TO WESTERN CREDITORS AND LENDING INSTITUTIONS REMAINS AT THE TOP OF THE GOG'S PRIORITY LIST, BUT UNLESS SOME EXTERNAL SOURCE OF FOREIGN EXCHANGE IF OPENED OR DEBT RESCHEDULING IS ACCOMPLISHED, WE ANTICIPATE THAT IN A MATTER OF WEEKS GUYANA WILL HAVE TO DEFAULT ON SOME OF ITS DEBT PAYMENTS IN THE WEST. THE EXPECTATION OF FUTURE USE OF WESTERN CREDIT AND ECONOMIC ASSISTANCE HAS BOLSTERED THE DETERMINATION OF GUYANA' LEADERS TO MAINTAIN A GOOD CREDIT RATING. IN THE ABSENCE OF INDICATIONS THAT ECONOMIC ASSITANCE IS ON THE WAY, AFTER DEFAULTING ON ITS DEBTS THE GOG WOULD RETAIN LITTLE INCENTIVE TO WORRY ABOUT ITS CREDIT RATING.

AT THAT POINT, GUYANA WOULD BE DESPERATELY SEEKING ALTERNATIVE SOURCES OF HELP.

7. A MAJOR RESTRAINT UPON BURNHAM IN ACCEPTING USSR ASSISTANCE IS HIS KNOWLEDGE OF SOVIET PREFERENCE FOR OPPOSITION LEADER CHEDDI JAGAN; HOWEVER, DESPERATION COULD INDUCE BURNHAM TO ACCEPT CONDITIONS JAGAN AND/OR THE SOVIETS PROPOSE. FOR THIS REASON, WE ARE SKEPTICAL OF FONMIN WILLS' FLAT ASSERTION (REF C) THAT BURNHAM WILL NOT TURN TO THE SOVIETS FOR ASSISTANCE.

8. IF BURNHAM WERE TO INSTITUTE DICTATORIAL CONTROLS OVER GUYANA'S SOCIETY AND ECONOMY AND IGNORE DEBT PAYMENTS, HE MIGHT SURVIVE POLITICALLY WITH ONLY SMALL INJECTIONS OF OUTSIDE ASSISTANCE, BE IT FROM THE SOVIET UNION OR ELSEWHERE. IF THE SOURCE WERE THE USSR

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A REORIENTATION OF GUYANA'S POLITICS AND ECONOMY WOULD APPEAR
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CERTAIN. THEN, INSTEAD OF BEING AN OCCASIONAL IRRITANT FOR THE US AS IT HAS BEEN IN THE PAST, GUYANA COULD BECOME AN ACTIVE PROBLEM AND, ALONG WITH CUBA, A SECOND INSTRUMENT OF SOVIET INFLUENCE IN THE AREA.

9. IN CONSIDERING POSSIBLE SCENARIOS ONE COULD SUGGEST THAT THE US SHOULD SIT ON ITS HANDS AND WATCH GUYANA SINK INTO THE QUAGMIRE OF BANKRUPTCY AND POLITICAL CHAOS, HOPING THAT THE GUYANESE WOULD CONCLUDE EVENTUALLY THAT SOCIALISM IS UNWORKABLE AND THAT THE GOVERNMENT WHICH EMERGES FROM THE WRECKAGE WOULD BE PRO-WESTERN. THE PROBLEM WITH THAT SCENARIO IS THAT WE THINK IT WOULD BE UNREALISTIC TO EXPECT SUCH A HAPPY ENDING. MOREOVER, EVEN IF ONE ASSUMED THAT THE DESIRED RESULT WOULD EVOLVE, THE PATH TO IT WOULD BE EXCRUCIATING FOR ALL CONCERNED AND IMMEDIATE DAMAGE TO US INTERESTS WOULD BE SIGNIFICANT.

NOTE: STADIS CAPTION REMOVED PER STATE 111621.

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MRN: 1977GEORGE000857 SEGMENT NUMBER: 000002 ERROR READING TEXT INDEX
FILE; TELEGRAM TEXT FOR THIS SEGMENT IS UNAVAILABLE

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Sent Date: 27-Apr-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
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